

Message Text

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ACTION STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 PA-01 CTME-00 AID-05
SS-15 ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15
NSCE-00 SSO-00 ICAE-00 INRE-00 /108 W
-----106208 201733Z /45

O 201520Z APR 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEIDATE 7186
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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GENEVA FOR USMTN
DEPT PASS TREASURY

EO 11652: GDS
TAGS: ETRD, BR, MTN
SUBJ: US-BRAZIL BILATERAL TALKS AT IMF INTERIM COMMITTEE MEETING:
TRADE MATTERS

REF: A. BRASILIA 3014, B. STATE 96974, C. GENEVA 5634,
D. GENEVA 5805, E. BRASILIA 2552, F. BRASILIA 3058,
G. BRASILIA 2852, H. GENEVA 5932, I. BRASILIA 3013

1. SUMMARY.TO IMPROVE PROSPECTS FOR FRUITFUL VISIT BY AMBASSADOR WOLFF,

EMBASSY CONSIDERES IT ESSENTIAL THAT FINANCIAL MINISTER
SIMONSEN BECOME MORE DIRECTLY INVOLVED. EMBASSY RECOMMENDS
THAT SECRETARY BLUMENTHAL MEET WITH SIMONSEN DURING IMF INTERIM
COMMITTEE MEETING IN MEXICO CITY TO DISCUSS BRAZIL'S PARTICIPATION
IN THE MTN. IN A PARALLEL MOVE, AMBASSADOR STRAUSS OR AMBASSADOR
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OWLFF MIGHT WISH TO DISCUSS SUBJECT AND OUR THOUGHTS ON
OBJECTIVES FOR FORTHCOMING SUB-GROUP MEETING WITH BRAZILIAN
AMBASSADOR IN WASHINGTON. END SUMMARY.
2. IN OUR VIEW AMBASSADOR MCDONALD'S MEETING WITH MACIEL AND
THE US-BRAZIL BILATERALS (REFTELS C, D AND H) CONFIRM THE
NEED TO INVOLVE FINANCE MINISTER SIMONSEN AND MINISTER OF
INDUSTRY AND COMMERCE CALMON DE SA MORE DIRECTLY IN THE FORTH-

COMING CONSULTATIONS UNDER THE SUB-GROUP ON TRADE. AS MINISTER BOTAFOGO STRESSED TO US SOME TIME AGO (REFTEL E), SIMONSEN'S PERSONAL INTERVENTION WILL BE REQUIRED TO OVERCOME BRAZILIAN CONCERNS (REINFORCED BY THE INCREASINGLY ADVERSE TRADE PROSPECTS THIS YEAR (REFTEL F) AND RELUCTANCE TO PARTICIPATE GENUINELY IN THE MTN.

3.

IN ACCORDANCE WITH SUGGESTIONS FOR FOLLOW-UP ACTIONS TO PRESIDENT'S VISIT (REFTEL G), EMBASSY RECOMMENDS THAT SECRETARY BLUMENTHAL, DURING IMF INTERIM COMMITTEE MEETING IN MEXICO CITY, DISCUSS WITH SIMONSEN BRAZIL'S PARTICIPATION IN THE FINAL STAGES OF THE MTN. WE BELIEVE THE SECRETARY SHOULD REGISTER US DISAPPOINTMENT OVER THE LACK OF PROGRESS DURING THE RECENT BILATERAL TALKS, RECALL THE ESSENTIAL POINTS IN THE US POSITION, AND EXPRESS OUR HOPE THAT PROGRESS CAN BE MADE IN RECONCILING US AND BRAZILIAN VIEWS DURING AMBASSADOR WOLFF'S VISIT AND THE PRECEDING TECHNICAL-LEVEL TALKS. IF THE SUBJECT HAS NOT ALREADY BEEN COVERED IN DEPUTY SECRETARY CARSWELL'S MEETING, WE BELIEVE THAT SIMONSEN WOULD APPRECIATE SECRETARY BLUMENTHAL'S CANDID ASSESSMENT OF THE OUTLOOK FOR A MULTILATERAL EXPORT-SUBSIDY/COUNTERVAILING-DUTY CODE AND THE CURRENT STATUS OF THE NEGOTIATIONS IN THAT AREA (SEE REFTEL A).

4. PARALLEL TO A MEETING BETWEEN SECRETARY BLUMENTHAL AND SIMONSEN, AMBASSADOR STRAUSS OR AMBASSADOR WOLFF MIGHT VIEW THE ISSUES WITH AMBASSADOR PINHERO IN WASHINGTON. WE BELIEVE LIMITED OFFICIAL USE

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AN IMPORTANT POINT TO MAKE IN SUCH TALKS WOULD BE THAT THE US REQUEST AND OFFER LISTS CONTAIN SUBSTANTIAL TRADE ADVANTAGES TO BRAZIL. THE GOB CONCERNED OVER INEFFICIENCIES, LOW PRODUCTIVITY, AND HIGH UNIT COSTS OF BRAZILIAN INDUSTRY--EVIDENTLY IS NOT CONVINCED OF THIS AND FEARS THAT MANY BRANCHES OF ITS MANUFACTURING SECTOR WOULD SUFFER SEVERE, OR EVEN IRREPARABLE, DAMAGE IN THE WAKE OF IMPORT LIBERALIZATION, SEE BOTAFOGO'S COMMENTS ON IMPORT SENSITIVITY OF "INFANT INDUSTRIES REPORTED IN REFTEL H).

WE BELIEVE IT WOULD ALSO BE USEFUL TO STRESS IN THESE TALKS WHAT WE UNDERSTAND TO BE THE RELATIVELY CIRCUMSCRIBED NATURE OF THE EXPORTASUBSIDY PROBLEM (I.E. THE DOUBLE-BENEFIT FOR CREDIT AND SUBSIDIZED INTEREST RATES ON EXPORT CREDIT), ALTHOUGH SIMONSEN, OF COURSE, UNDERSTANDS THE NATURE OF THIS ISSUE. (REFTEL A).

5. EMBASSY WOULD ALSO APPRECIATE WASHINGTON'S SUGGESTIONS FOR POINTS COMMISSIONER ABLONDI MIGHT STRESS DURING HIS MEETINGS WITH SILVEIRA, SIMONSEN, REIS VELLOSO AND CALMON DE SA. FOR MAXIMUM UTILITY, EMBASSY WOULD APPRECIATE RECEIVING THESE SUGGESTIONS BY SATURDAY, APRIL 22. (SEE ACTION REQUESTED IN REFTEL I.)
JOHNSON

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